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black capitalism

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BLACK CAPITALISM -- A PREFACE (PART ONE)

As far as we are able to discern, the term "black capitalism" was first popularized by Dr. Martin Anderson, author of The Federal Bulldozer, and economic advisor for President Nixon. Our use of the term here does not indicate support for any form of racial separatism or apartheid. We most emphatically reject all attempts to invest "black" with connotations of inherent virtues or vices.

"Black capitalism," as we use it, clarifies a vital political conflict, for it forces those who advocate "black power" to identify precisely what they mean. "Black power" had been a blanket-term, tending to obscure differences between those who were crusading for Negro individualism and those who instead sought political power and racial collectivism. Now the fundamental conflict in race issues today has found its way into popular terminology. The fundamental choice between viewing the Negro as an independent individual -- as a man -- and viewing him as a tribal warrior, is now more open. Will it be productiveness -- or parastism? Dollar earnings -- or the spoils of a protection racket? Black capitalism -- or black power?

Those who understand and advocate the former must reject government urban policies of the present, in order to create an atmosphere consonant with freedom and individualism. For too long city residents have been subject to an ever more twisted labyrinth of federal, stae, and local laws and programs allegedly designed to aid them. With few exceptions, these programs have failed to attain their announced objectives.

Welfare programs (REASON, Nov.,1968) penalize the incentive of both recipients and taxpayers. Urban renewal demolishes four times the amount of low cost housing it replaces.* Minimum-wage laws hijack

* The Federal Bulldozer, Martin Anderson (1964)

the quality of housing?

To answer some of these questions, REASON interviewed a young "enviromental designer" (architect, landscaper, landplanner, and developer) from Portland, Maine earlier this month. William Altenburg, Jr., owner and principal figure behind Portland-based Environmental Design Associates, spoke with us for several hours concerning the underlying causes and cures for slums. What follows is a short segment of that conversation.

REASON: Certain sections of many American cities are apparently simultaneously experiencing both a housing shortage and a rapid degeneration of existing dwellings. Why?

Mr. Altenburg: The problems of "shortage" and "decay," as I call them, are real but are not what we are told. A housing shortage exists when the supply of a particular type of housing at a particualr cost is less than the demand for that unit at that price. The term "housing shortage" as used today is a floating abstraction. It is being used to mean a failure of developers (Capitalism) to provide housing for people who need it. The term's purpose is to divorce the concept "housing" from its concretes: What kind? -- How much? -- Where? This allows statists to demolish 100 units of low income housing and replace them with 150 units of high income housing,claiming an increase in housing, while ignoring the fact that there is now a decreased supply of the former. Meanwhile the cause of the decay that led to the clearing of the area is ignored and the areas in which the displaced persons settle begin to decay. The problems of "shortage" and "decay" are caused by the government and could be solved by developers and landlords, if they were not prohibited from doing so.

REASON: What prohibits them from doing so?

Mr. Altenburg: The particular reasons are complex, but in principle the cause is simple. The various branches and levels of government have made it impossible for supply to be related to demand. The producers of housing cannot function in the market to provide what people want and can afford.

REASON: Are you saying that government is to blame for housing shortages?

Mr. Altenburg: Absolutely yes. Lets take a typical example of a shortage as meant by the government: A family with a very low income and six children can afford $30.00 monthly rent and they live in two rooms with no bathroom, kitchen, or heat. It is what they can afford, but it is "substandard" -- another catch-all subjective term -- therefore the government blames developers for a housing shortage. It is not possible to build an apartment for these conditions at a price

complete political control of wages. Having lost the ability to manipulate material, labor, and construction technique costs, the developer becomes little more than a automaton, and the dream of an end to the shortage of low-cost housing remains just that.

Even the actual price of construction materials is influenced externally and arbitrarily by the government's tariff and subsidy policies. Deficit spending, in causing inflation, must by necessity also raise material prices. Literally hundreds of government programs combine to distort price structure.

The government requires that certain utilities be provided to housing units and then creates coercive monopolies to provide these services. They are inefficient, arbitrary, restrictive of innovation, expensive, and concerned primarily with their regulatory agencies and politics rather than production and profits. A developer has no alternative but to accept the dictates of the utility; he has no where else to go.

The income tax, the book keeping costs, the social security, the fringe benefits paid to workers as a result of Labor Blackmail all add to the cost of housing and since they are subjective and dependent upon force for their implementation they cannot be accurately estimated, so the deleoper must add a fudge factor to his cost estimates and hope that he makes a profit.

The net result of all this is that the developer must depend on high income markets to support all the hidden and exaggerated cost he is saddled with. This is the basic reason that only subsidized housing is built in the low andlower-middle income housing markets.

It is obvious that the construction of low-cost housing is being systematically thwarted -- precisely because of the very agencies supposedly dedicated to its promotion. The answer is not, as some have suggested, that of providing grants or tax incentives to developers, but that of returning their freedom to make economic decisions and with it, the predicatability of the market place.

REASON: Then you would advocate the abolition of all restrictive laws and programs under which builders now operate?

Mr. Altenburg: Yes, definately, but that is not enough. Only in a fully free, fully Laissez-faire Capitalist society can the potential for realizing the best housing at the lowest cost in any given technology be realized.

REASON: You apparently beleive that slum landlords, slumlords as they are called, are not entirely to blame in the creation of slums.

Mr. Altenburg: The distinguishing characteristic of a slum is that it is filthy. Neatness, or its lack, is the differentia that makes one house a slum unit and its counterpart in another neighborhood "A Nice Place to Live." Neatness is an attribute of effort, not income or

landlords, and financeers must contend, it will not attract enterpre-nuers of the caliber necessary to accomplish the job. The solution is to remove the rstrictions which presently make such ventures un-attractive. The solution, in short, is freedom.

RENT CONTROL AND URBAN DECAY: CAUSE AND EFFECT
by John Anthony Ofrias

Over twenty years ago economist Henry Hazlett wrote, "The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups." Unfortunately, too mamy of today's artless politicians have ignored this lesson and have promoted a fallacious policy of price fixing known as "rent control."

Rent control discriminates in favor of one group at the expense of all others. When landlords raise rents to compensate for inflation (or for other reasons), the tenants will generally respond by econimizing and taking up less space. This will allow others to obtain housing by taking up the newly available space. High rents also encourage develo-pers to construct new housing. When rent is controlled, however, the new space is never made available, and the shortage cannot be relieved. Consequently, homeless people are not permitted to use their dollar-votes to bid for housing; landlords are forced to donate the same supply of housing units (while there is a greater demand) and receive a smaller return; and the group who already occupies the controlled apartments is able to arbitrarilly exclude all others.

So, rent control is of (dubious, as we shall see) advantage to that one group of tenants fortunate enough to live in a residence which legislators deem "controlled." These people live at the expense of all others operating, or wishing to operate, within the market. Other than these favored tenants it has primarily been vote-seeking politicians and certain ideologically-motiviated political groups who have pro-moted rent control.

New York's Mayor John Lindsay has continually sacrificed the landlords and apartment-seekers in general to what is called the "public inter-est" (which, in this context, means the current tenants). Lindsay played trick-or-treat last Halloween, calling a meeting of real estate industry leaders "to make clear to them once again the Administra-tion's determination to protect the public from abuse of economic power." Lindsay also met with owners of non-controlled buildings and told them to hold down their rents to "reasonable" levels and "adopt a program of self-regulation."

Lindsay has been especially adamant in insisting that the building industry be controlled. "We have given the industry a chance to clean its house," he said. "So far, it has failed to do so. As long as responsible members of the real estate industry continue to be un-

Like the bakers in the fable, landlords burdened with rent control are forced to economize -- like it or not. Rent controls cannot bypass economic reality; someone must pay. It is ironic -- and tragic -- that it is the tenants, whom Lindsay is so eager to "protect," who suffer most from the"protection." But the most grievous element of their misfortune is that the tenants continue to point an accusing finger in the wrong direction, that they fail to identify and remove the real cause of their suffering: rent control.

LETTER TO THE EDITOR (short interesting letters will be printed)

Mr. Friedlander: RE: "An End to the Draft?". Oct., 68 issue of REASON Unfortunately, the election of Mr. Nixon does not mark the end of the draft. You well know that the Government would not reject the draft in principle, for it would toll the death knell for all other illegal and extralegal federal activities.

Mr. Nixon does not (and should not) posess the power to abolish conscription and create an all volunteer professional army. Due to our system of "checks and balances" such power resides in the legislature -- and not in the executive. Hope for the best and expect the worst.

S. Andrews
Marblehead, Mass.

The article in question neither advocated nor endorsed specific action with regard to the draft. It was presented merely as information. When considering exactly what the President should do to speed abolition, there are two major issues. First the constitutional issue: President Nixon is designated the commander-in chief, and a simple recommendation to his generals to improve living conditions and begin treating soldiers like humans, would not, strictly speaking, be unconstitutional. As the number of volunteers increased (and it would), the need for draftees would decrease -- perhaps to zero, eventually. Thus the Selective Service would be slowly phased out by supply and demand. Formal repeal of the law would, of course, be the responsibility of Congress. Second the moral issue: Given the context of a vaguely worded Constitution, and the coercive nature of the act in question, such efforts wouls be commendable. Such efforts would violate no one's rights, and to the extent that they reduced the number of draftees, would actually tend to increase freedom. Not only is this President Nixon's legal prerogative, but, as chief executive, it is also his moral obligation. In addition, it should be clear that the "power" to remove the chains of innocent men is not the variety of "power" that the authors of the Constitution has in mind when they designed the system of "checks and balances." So long as the President makes very clear that his recommendations are exactly that, so long as he does not expand the already dangerously swollen powers of the Presidency, he is perfectly justified in his intentions.

As to the likelihood that Congress will act on this issue, I offer this quote from the New York Times of 11/16/68, as supllied by Howard Katz of the Association for a Volunteer Army (AVA):
"Senator Mark O. Hatfield plans early in the new Congress to revive